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# **Tobin & Co.**

Bingham Township

Leelanau County, Michigan

Audit Report

For the Year Ended June 30, 2005

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Bingham Township</b>	County <b>Leelanau</b>
Audit Date <b>6/30/05</b>	Opinion Date <b>10/20/05</b>	Date Accountant Report Submitted to State: <b>11/29/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

**TOBIN & CO., P.C.**  
400 E. EIGHTH ST.

Certified Public Accountant (Firm Name) <b>TRAVERSE CITY, MI 49686-2668</b>			
Street Address <b>231-947-0151</b>		City	State <b>MI</b>
Accountant Signature <i>John D. Tobin, CPA</i>		Date	

# Tobin & Co.

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INTRODUCTORY SECTION

# **Tobin & Co.**

## Comments and Recommendations

We have audited the basic financial statements and the individual fund financial statements of Bingham Township, Leelanau County, for the year ended June 30, 2005 and have issued our report thereon. As part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Township's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

Our study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal control of Bingham Township taken as a whole. As a result of our examination, we respectfully submit the following comments and recommendations.

### Internal Control

Management is responsible for establishing and maintaining a system of internal control. Internal control is a system of policies and procedures designed to provide, among other things, reasonable assurance that assets are safeguarded against unauthorized use and disposition and that financial reports are accurate. Some minimum requirements of a sound system of internal control include numerically controlled receipts, timely bank deposits, and monthly reconciliation of all bank accounts to general ledger balances.

The former treasurer resigned in May 2005. Prior to that time, for the most part, reconciliation procedures between the Clerk and the Treasurer records were not performed. However, it appears that the records of the new treasurer are being reconciled with the records of the clerk on a monthly basis.

The former treasurer was not distributing property taxes to other taxing units of government in accordance with statutory requirements. Further, when a representative of our office attended a meeting in which the records for the former treasurer were examined, there were several undeposited checks in with those records. Some of these checks contained dates that were several months old. Obviously, all tax receipts were not being deposited timely.

### Budgets and Procedures

The budget adopted for the year was approved by cost-center. Board minutes indicate that expenditures were compared to budgeted amounts periodically during the year, and budgets were amended when necessary. The Township has two separate governmental funds, the General Fund and the Public Improvement Fund. Budgets for both of these funds should be adopted each year. If funds are transferred from the Public Improvement Fund to the General Fund so that the General Fund can write a check for a public improvement, that disbursement needs to be budgeted as a capital outlay in the Public Improvement Fund.

In addition, the Township levies property taxes for the Suttons Bay Bingham Fire and Rescue. These tax revenues and the disbursement of these taxes to the Fire and Rescue Unit should be budgeted.

### General Fund

The General Fund is presented on Schedule I of this report. Fund balance at June 30, 2005 was \$285,505.

### Public Improvement Fund

This Fund is permitted by statute to set aside certain funds for public improvements. The Fund balance at June 30, 2005 was \$89,322. One disbursement for \$15,000 was made during the year to Suttons Bay-Bingham Fire and Rescue and another was made for \$2,000 for road improvements.

### General Fixed Assets

Government Accounting Standards Board Statement No. 34 requires that the Township land, buildings, and equipment be recorded on the statement of net assets and depreciated over the useful lives of the assets. The assets are presented in the statement of net assets.

# **Tobin & Co.**

## Comments and Recommendations

### Payroll Procedures

Payroll tax returns appeared to have been properly filed and taxes paid during the year. Quarterly reports for 2004 were in agreement with 2004 Form W-3, except that social security and medicare wages on the W-2's exceeded the quarterly reports by \$1,606.25. This should be investigated and corrected, if necessary.

### Insurance and Surety Bond Coverage

Records reflect that the Township is insured through Municipal Underwriters of Michigan and has such coverage as fire and extended coverage, general liability, errors and omissions, and workmen's compensation. Board minutes indicate coverage was reviewed during the audit year. The Clerk, Treasurer, and their deputies have surety bond coverage.

### Investments

Michigan State law covering investments of surplus funds of townships was changed in 1997. The Township adopted a written investment policy in November 1998. There were no investments at June 30, 2005.

### Other Data

Interest bearing depository accounts were used by the Township Treasurer. This practice resulted in earned interest of \$11,794 for the audit year.

After completion of our audit, we will mail the necessary copies of our report to the State Department of Treasury.

We again commend the Clerk and Treasurer for the condition of the Township records. We also appreciate the courtesy extended our field examiner in the conduct of this audit.

Your confidence is respected. Please contact us if questions arise or assistance is needed.

FINANCIAL SECTION

# Tobin & Co.

## REPORT OF INDEPENDENT AUDITOR

To the Township Board  
Bingham Township  
Leelanau County  
Leelanau, Michigan 49646

We have audited the basic financial statements of Bingham Township as of and for the year ended June 30, 2005, as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly in all material respects, the financial position of such funds of Bingham Township at June 30, 2005, and the results of operations in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Table of Contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements of Bingham Township. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a Management's Discussion and Analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

*Tobin & Co., P.C.*

TOBIN & CO., P.C.  
Certified Public Accountants  
October 20, 2005



# **Tobin & Co.**

## **Management's Discussion and Analysis**

As the Township Board of Bingham Township, Leelanau County, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of Bingham Township for the fiscal year ended June 30, 2005.

### **Financial Highlights**

The assets of Bingham Township exceeded its liabilities at the close of the most recent fiscal year by \$1,219,527. Of this amount, \$293,573 may be used to meet the Township's ongoing obligations to citizens and creditors.

At the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$374,827, an increase of \$4,876 in comparison with the prior year. The total amount, \$374,827 is available for spending at the Township's discretion.

At the end of the current fiscal year, unreserved fund balance for the general fund was \$285,505, or 57% of total general fund expenditures.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to Bingham Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

#### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Township's financial position is improving or deteriorating.

The statement of activities presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, earned but unused credits, and used but not paid expenses).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include: General Government, Public Safety, Road Projects, and Township Improvements. Bingham Township does not have any business-type activities (examples would include water and sewer, golf courses, cemeteries, etc.).

#### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Bingham Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Bingham Township are categorized as governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

# **Tobin & Co.**

Bingham Township maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Township Improvement Fund, which are considered to be major funds. All Township government activities are included in these two funds.

The Township adopts an annual appropriated budget for its General Fund and Special Revenue Fund. A budgetary comparison statement has been provided for the General Fund and other major funds to demonstrate compliance with this budget.

## **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## **General Fund Analysis and Highlights**

The General Fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the General Fund and the total fund balance was \$285,505. Unreserved fund balance represents 57% of total General Fund expenditures.

The fund balance of the Township's General Fund increased by \$15,370 during the current fiscal year.

Differences between the original budget and the final amended budget were minimal. No increase or decrease in appropriations of the total budget was made during the year; however, some amendments were made within cost centers.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

## **Analysis of Balances and Transactions of the Other Township's Funds**

As noted earlier, the Township used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

## **Improvement Fund**

The Improvement Fund is maintained by the Township to pay for specific improvements in the Township. Major revenues for this fund are interest and Metro Act grant. At the end of the current fiscal year, the total fund balance was \$89,322. The fund balance of the Township's Improvement Fund decreased by \$10,494 during the current fiscal year. Examples of how this fund was used include capital improvements in fire rescue equipment. In previous fiscal years, the fund was used to pay for fire rescue, building improvements and fire rescue equipment.

## **Capital Asset and Debt Administration**

### **Capital Assets**

The Township's investment in capital assets for its governmental activities as of June 30, 2005 amounts to \$836,632. This investment in capital assets includes: several parcels of land, Township Hall, Fire and Rescue buildings, Fire and Rescue trucks and equipment, and computers. This is the first year that the total Township's investment in capital assets has been assessed and reported. All of our government funds report capital outlays as expenditures. However, the cost of the assets is allocated over their useful lives. This fiscal year the amount by which depreciation exceeded capital outlays was \$2,826.

### **Cash Assets**

At the end of the current fiscal year, the Township had \$352,971 in cash and other spendable assets. Of this amount, \$307,647 (87%) was held in bank money market accounts and certificates of deposit and was earning interest; the remainder was held in the Township's bank checking accounts. The Township is limited by State law in how it can invest these funds, and we have made no changes in our investment strategy in several years.

### **Long-term Debt**

At the end of the current fiscal year, the Township had no bonded or installment debt outstanding.

### **Pension Plan**

Township employees have the option of having the Township pay Social Security payments or to join our pension plan. The Township makes contributions equal to approximately 10% of each employee's wage to Municipal Retirement Systems, Inc. on behalf of each participating employee. This is an expensed item in the budget and totaled \$3,000 for the fiscal year. During the year this plan was terminated.

# **Tobin & Co.**

## **Requests for Information**

This financial report is designed to provide a general overview of Bingham Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Robert Foster, Supervisor.

# Tobin & Co.

## Bingham Township Statement of Net Assets June 30, 2005

	<u>Primary Government Governmental Activities And Total</u>
Assets	
Cash	\$ 352,971
Receivables	27,125
Prepaid Insurance	<u>8,068</u>
Capital Assets	
Land	782,700
Other Capital Assets, Net of Depreciation	<u>53,932</u>
Total Capital Assets	<u>836,632</u>
Total Assets	<u>1,224,796</u>
Liabilities	
Accounts Payable	<u>5,269</u>
Total Liabilities	<u>5,269</u>
Net Assets	
Invested in Capital Assets	836,632
Restricted for:	
Public Improvements	89,322
Unrestricted	<u>293,573</u>
Total Net Assets	<u>\$ 1,219,527</u>

See Accompanying Notes to Basic Financial Statements

# Tobin & Co.

## Bingham Township Statement of Activities June 30, 2005

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue</u>
Governmental Activities:				
Legislative	\$ 66,803	\$ -	\$ -	\$ (66,803)
General Government	111,939	34,451	-	(77,488)
Public Safety	302,714	-	-	(302,714)
Public Works	2,000	-	4,220	2,220
Recreation and Culture	<u>38,700</u>	<u>-</u>	<u>-</u>	<u>(38,700)</u>
Total Governmental Activities	<u>\$ 522,156</u>	<u>\$ 34,451</u>	<u>\$ 4,220</u>	<u>(483,485)</u>
General Revenues:				
Property Taxes				302,127
Grants and Contributions Not Restricted to Specific Programs				163,929
Unrestricted Investment Earnings				11,794
Rents and Royalties				485
Miscellaneous				<u>7,200</u>
Total General Revenues				<u>485,535</u>
Change in Net Assets				2,050
Net Assets – Beginning				<u>1,217,477</u>
Net Assets – Ending				<u>\$ 1,219,527</u>

See Accompanying Notes to Basic Financial Statements

# Tobin & Co.

## Bingham Township Balance Sheet Governmental Funds June 30, 2005

	<u>General</u>	<u>Public Improvement</u>	<u>Total</u>
Assets			
Cash in Bank	\$ 263,649	\$ 89,322	\$ 352,971
Accounts Receivable	<u>27,125</u>	<u>-</u>	<u>27,125</u>
Total Assets	<u>\$ 290,774</u>	<u>\$ 89,322</u>	<u>\$ 380,096</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	\$ <u>5,269</u>	\$ <u>-</u>	\$ <u>5,269</u>
Total Liabilities	<u>5,269</u>	<u>-</u>	<u>5,269</u>
Fund Balances:			
Unreserved	<u>285,505</u>	<u>89,322</u>	<u>374,827</u>
Total Fund Balances	<u>285,505</u>	<u>89,322</u>	<u>374,827</u>
Total Liabilities and Fund Balances	<u>\$ 290,774</u>	<u>\$ 89,322</u>	
Amounts reported for governmental activities on the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			836,632
Some prepaid assets are not financial resources and therefore are not reported in the funds.			<u>8,068</u>
Net assets of governmental activities.			<u>\$ 1,219,527</u>

See Accompanying Notes to Basic Financial Statements

# Tobin & Co.

Bingham Township  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2005

	<u>General</u>	<u>Public Improvement</u>	<u>Total</u>
Revenues			
Taxes	\$ 302,127	\$ -	\$ 302,127
Licenses and Permits	16,625	-	16,625
State Grants	163,929	4,220	168,149
Charges for Services	17,826	-	17,826
Interest and Rents	9,993	2,286	12,279
Other	7,200	-	7,200
Total	<u>517,700</u>	<u>6,506</u>	<u>524,206</u>
Expenditures			
Legislative	66,803	-	66,803
General Government	109,494	-	109,494
Public Safety	287,714	15,000	302,714
Public Works	-	2,000	2,000
Recreation and Culture	38,319	-	38,319
Total	<u>502,330</u>	<u>17,000</u>	<u>519,330</u>
Excess Revenues (Expenditures) and Net Change in Fund Balances	15,370	(10,494)	4,876
Fund Balance -- Beginning of Year	<u>270,135</u>	<u>99,816</u>	
Fund Balance -- End of Year	<u>\$ 285,505</u>	<u>\$ 89,322</u>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current year.			<u>(2,826)</u>
Change in Net Assets of Governmental Activities.			<u>\$ 2,050</u>

See Accompanying Notes to Basic Financial Statements

# Tobin & Co.

## Bingham Township Statement of Fiduciary Net Assets June 30, 2005

Assets	Agency Funds
Cash	\$ 48,023
Total Assets	<u>\$ 48,023</u>
Liabilities	
Undistributed Taxes and Interest	\$ 48,023
Total Liabilities	<u>\$ 48,023</u>
Net Assets	<u>\$ -</u>

See Accompanying Notes to Basic Financial Statements



# Tobin & Co.

## Bingham Township Notes to Financial Statements June 30, 2005

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

Bingham Township is a general law township located in Leelanau County. Populations as of the 2000 census was 2,425, and the current state equalized and taxable values are \$222,527,370 and \$132,411,678, respectively.

The Township's basic financial statements include the accounts of all Township operations. The criteria for including organizations within the Township's reporting entity, as set forth in GASB No. 14, "*The Financial Reporting Entity*" includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included.

Based on the above criteria, there are no other organizations included in these financial statements.

#### B. Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Township. The effect of interfund activity, within the governmental activities column, has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

#### Fund Financial Statements:

The Township segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds, if any, are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Township has presented the following governmental funds:

General Fund – This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Township. Revenues are derived primarily from property taxes, state distributions or grants, and other intergovernmental revenues.

Special Revenue Funds – These funds are used to account for specific governmental revenues (other than expendable trusts and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

#### Fiduciary Funds

These funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

# Tobin & Co.

## Bingham Township Notes to Financial Statements June 30, 2005

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund and agency fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Township considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

The revenue susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

#### D. Budgets

The General Fund and Special Revenue Funds are under formal budgetary control. Budgets shown in the required supplementary schedules for these funds were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Township.

In the body of the financial statements and the required supplementary schedules, the Township's actual and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets for these funds were adopted to the activity or cost center level.

For budgetary purposes appropriations lapse at fiscal year end.

#### E. Capital Assets

Capital assets, which includes property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest is capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$1,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	25 years
Machinery and Equipment	5-10 years

# Tobin & Co.

## Bingham Township Notes to Financial Statements June 30, 2005

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### F. Property Tax Procedures and Collections

Properties are assessed as of December 31 and the related property taxes become a lien the following July 1 and/or December 1. Real property taxes are collected by the Township Treasurer through February 28 of each year. As of March 1, uncollected real property taxes are returned delinquent to, and collected by, the County Treasurer. Personal property taxes remain the responsibility of the Township Treasurer to collect. It is the policy of the Township to record the real property taxes in the year of levy.

During the collection period prior to March 1, the Township Treasurer makes distribution of the property tax collections to the various taxing units (County, School District, etc.) as required by statute.

For the fiscal year the Township levied property taxes as follows:

	<u>SEV</u>	<u>Taxable Value</u>	<u>Millage Rate</u>
General Operating	\$222,527,370	\$132,411,678	.5000
Fire Operations	\$222,527,370	\$132,411,678	1.4039
Fire and Rescue Building	\$222,527,370	\$132,411,678	.4900

#### G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. We noted no violations of legal provisions and/or contractual provisions of various agreements related to financial matters.
- B. All funds had positive fund balances at June 30, 2005.
- C. Public Act 621 of 1978, Section 18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. For the year ended June 30, 2005, two cost centers overexpended their budgets without formal Board amendment.

### NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS

#### A. Legal Provisions for Deposits and Investments

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, and Act 196, Public Acts of 1997, states that the Township, by resolution, may authorize the Treasurer to invest surplus funds as follows:

- (1) In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- (2) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).

# Tobin & Co.

## Bingham Township Notes to Financial Statements June 30, 2005

### NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS (Continued)

#### A. Legal Provisions for Deposits and Investments (Continued)

- (3) In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase.
- (4) Repurchase agreements consisting of instruments defined in (1) above.
- (5) In bankers' acceptances of United States Banks.
- (6) Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- (7) In mutual funds registered under the investment company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by local units of government in Michigan.

#### B. Types of Deposits and Investments

The Township had \$354,251 deposited with a local financial institution at June 30, 2005 with a carrying value of \$352,971. Interpreting the FDIC insurance coverage of \$100,000 of demand deposits and \$100,000 of time deposits per financial institution, the Township had \$156,409 of uninsured deposits at June 30, 2005.

### NOTE 4 - CAPITAL ASSETS

Capital assets of governmental activities consisted of the following at June 30,

	<u>2005</u>	<u>2004</u>
Land	\$ 782,700	\$ 782,700
Buildings and Improvements	46,479	46,479
Furniture and Equipment	<u>40,624</u>	<u>40,624</u>
	869,803	869,803
Less Accumulated Depreciation	<u>(33,171)</u>	<u>(30,345)</u>
	<u>\$ 836,632</u>	<u>\$ 839,458</u>

### NOTE 5 - INVENTORIES

Bingham Township does not maintain a substantial inventory of supplies or materials. Purchases are normally made as needed, and the items are recorded as expenses when purchased.

### NOTE 6 - PENSION PLAN

The Township began a defined contribution money purchase pension plan for Michigan Township employees under contract with Manulife Financial. Listed below is a summary of the significant plan provisions adopted by Board Resolution in July 1976, and amended in July 2002:

#### A. Eligibility Requirements

1. No minimum service requirement.
2. All Township employees who are elected officials.
3. One employee participated during the 2004-2005 plan year.

# Tobin & Co.

Bingham Township  
Notes to Financial Statements  
June 30, 2005

## NOTE 6 - PENSION PLAN (Continued)

### B. Contributions

1. Approximately 10% of annual compensation funded 75% by the Township on an annual basis.
2. Compensation determined by the wages for the fiscal year is the annual rate of compensation in effect at the beginning of each plan year (July 1).

### C. Vesting

1. Contributions are vested to the employee immediately upon early retirement, termination of service, death, disability, or normal retirement at 100%.

### D. Plan Administration

1. The plan is administered by Manulife Financial. During the year of audit, the total Township contributions paid for the plan year, July 1, 2004 to June 30, 2005, were \$3,000. Covered payroll was \$20,647 out of a total Township payroll of \$110,031 for the audit year. During the year ended June 30, 2005, the Township Board voted to discontinue the retirement plan. All employees now participate in the Social Security system.

## NOTE 7 - PROPERTY TAX ADMINISTRATION FEES

The Township does not charge a property tax collection fee.

## NOTE 8 - CONTINGENT LIABILITIES

As of June 30, 2005, there were no known contingent liabilities.

## NOTE 9 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the audit year the Township addressed these risks through the purchase of commercial insurance through Municipal Underwriters of Michigan. There was no significant reduction of insurance coverage from prior years nor have the amounts of any settlements exceeded insurance coverage in any of the past three fiscal years.

## NOTE 10- COMPENSATED ABSENCES

The Township provides no compensated absences for its employees.

SUPPLEMENTAL DATA SECTION

# Tobin & Co.

Bingham Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund  
For the Year Ended June 30, 2005

Schedule 1  
Page 1

<u>Revenues</u>	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Taxes:				
Property Taxes - General	\$ 66,206	\$ 66,206	\$ 66,096	\$ (110)
Property Taxes – Fire	-	-	236,031	236,031
Licenses and Permits:				
Licenses	6,800	6,800	16,625	9,825
State Grants:				
State Shared Revenues	167,142	167,142	163,929	(3,213)
Charges for Services:				
Cemetery and Other	1,400	1,400	2,121	721
Summer Tax Collection	9,437	9,437	9,464	27
Cable Franchise Fees	7,000	7,000	6,241	(759)
Interest and Rents:				
Interest	2,500	2,500	9,508	7,008
Rents	600	600	485	(115)
Other:				
Refunds and Reimbursements	-	-	7,200	7,200
Total Revenues	<u>261,085</u>	<u>261,085</u>	<u>517,700</u>	<u>256,615</u>
<u>Expenditures</u>				
Legislative:				
Township Board:				
Salaries and Wages	-	-	14,944	-
Professional Fees	-	-	33,568	-
Insurance	-	-	8,894	-
Dues	-	-	5,748	-
Travel	-	-	695	-
Education	-	-	2,105	-
Total	<u>64,401</u>	<u>64,401</u>	<u>65,954</u>	<u>(1,553)</u>
Total Legislative	<u>64,401</u>	<u>64,401</u>	<u>65,954</u>	<u>(1,553)</u>
General Government:				
Township Supervisor:				
Salaries and Wages	-	-	12,252	-
Total	<u>12,252</u>	<u>12,252</u>	<u>12,252</u>	<u>-</u>
Elections:				
Salaries and Wages	-	-	3,723	-
Supplies	-	-	1,012	-
Printing, Postage and Other	-	-	1,054	-
Total	<u>5,917</u>	<u>5,917</u>	<u>5,789</u>	<u>128</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Bingham Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund  
For the Year Ended June 30, 2005

Schedule 1  
Page 2

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Expenditures (Continued)</u>				
<u>General Government (Continued):</u>				
Assessor:				
Salaries	-	-	20,139	-
Supplies	-	-	1,738	-
Travel	-	-	122	-
Total	<u>22,389</u>	<u>22,389</u>	<u>21,999</u>	<u>390</u>
Clerk:				
Salaries	-	-	17,468	-
Salaries - Deputy	-	-	250	-
Total	<u>18,268</u>	<u>18,268</u>	<u>17,718</u>	<u>550</u>
Board of Review:				
Salaries	-	-	1,045	-
Total	<u>1,100</u>	<u>1,100</u>	<u>1,045</u>	<u>55</u>
Treasurer:				
Salaries	-	-	20,647	-
Salaries – Deputy	-	-	680	-
Supplies	-	-	2,010	-
Total	<u>24,111</u>	<u>24,111</u>	<u>23,337</u>	<u>774</u>
Township Hall and Grounds:				
Supplies and Postage	-	-	4,223	-
Printing and Publishing	-	-	2,770	-
Telephone	-	-	2,059	-
Public Utilities	-	-	3,754	-
Maintenance	-	-	2,784	-
Other	-	-	311	-
Total	<u>17,217</u>	<u>17,217</u>	<u>15,901</u>	<u>1,316</u>
Board of Appeals:				
Salaries	-	-	425	(425)
Total	<u>-</u>	<u>-</u>	<u>425</u>	<u>(425)</u>

The Notes to the Basic Financial Statements are an integral part of this statement.



# Tobin & Co.

Bingham Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund  
For the Year Ended June 30, 2005

Schedule 1  
Page 3

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Expenditures (Continued)</u>				
<u>General Government (Continued):</u>				
Cemetery:				
Salaries	-	-	1,850	-
Other	-	-	1,772	-
Total	5,050	5,050	3,622	1,428
Total General Government	106,304	106,304	102,088	4,216
Public Safety:				
Fire:				
Appropriation	-	-	35,000	-
Property Taxes	-	-	236,031	-
Total	35,000	35,000	271,031	(236,031)
Planning and Zoning:				
Salaries	-	-	12,550	-
Professional Fees	-	-	3,420	-
Total	24,760	24,760	15,970	8,790
Total Public Safety	59,760	59,760	287,001	(227,241)
Recreation and Culture:				
Parks:				
Maintenance	-	-	152	-
Rentals	-	-	1,234	-
Total	2,000	2,000	1,386	614
Library:				
Contracted Services	-	-	36,033	-
Total	36,033	36,033	36,033	-
Senior Center	900	900	900	-
Total Recreation and Culture	38,933	38,933	38,319	614
Other Functions:				
Fringe Benefits	12,039	12,039	8,968	3,071
Capital Outlay	21,000	21,000	-	21,000
Contingency	87	87	-	87
Total Other Functions	33,126	33,126	8,968	24,158

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Bingham Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund  
For the Year Ended June 30, 2005

Schedule 1  
Page 4

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Expenditures (Continued)</u>				
Total Expenditures	<u>302,524</u>	<u>302,524</u>	<u>502,330</u>	<u>(199,806)</u>
Excess Revenues (Expenditures)	(41,439)	(41,439)	15,370	56,809
<u>Other Financing Sources (Uses)</u>				
Transfers In	15,000	15,000	-	(15,000)
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>(15,000)</u>
Excess Revenues (Expenditures) and Other Financing Sources (Uses)	<u>\$ (26,439)</u>	<u>\$ (26,439)</u>	15,370	<u>\$ 41,809</u>
Fund Balance – Beginning of Year			<u>270,135</u>	
Fund Balance – End of Year			<u>\$ 285,505</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Bingham Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
Public Improvement Fund  
For the Year Ended June 30, 2005

Schedule 2

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
State Grants – Metro Act	-	-	4,220	4,220
Interest Earned	-	-	2,286	2,286
Total	-	-	6,506	6,506
<u>Expenditures</u>				
Public Safety – Fire Protection	15,000	15,000	15,000	-
Public Works - Roads	2,000	2,000	2,000	-
Total	17,000	17,000	17,000	-
Excess Revenues (Expenditures)	(1) \$ (17,000)	\$ (17,000)	(10,494)	\$ 6,506
Fund Balance – Beginning of Year			99,816	
Fund Balance – End of Year			\$ 89,322	
(1) Budgeted from Fund Balance				

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Bingham Township  
Statement of Changes in Assets and Liabilities  
Current Tax Collection Fund  
For the Year Ended June 30, 2005

Schedule 3

	<u>Balance</u> <u>6/30/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/05</u>
<u>Assets</u>				
Cash	\$ 88,794	\$ 3,431,841	\$ 3,472,612	\$ 48,023
Total Assets	\$ 88,794	\$ 3,431,841	\$ 3,472,612	\$ 48,023
<u>Liabilities</u>				
Undistributed Taxes and Interest	\$ 88,794	\$ 3,431,841	\$ 3,472,612	\$ 48,023
Total Liabilities	\$ 88,794	\$ 3,431,841	\$ 3,472,612	\$ 48,023

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Bingham Township  
2004 Property Tax Levy and Collections  
For the Year Ended June 30, 2005

Schedule 4

	<u>Millage Rate</u>	<u>Adjusted Levy</u>	<u>Collected</u>	<u>Returned Delinquent</u>
County	3.8518	\$ 510,214	\$ 480,064	\$ 30,150
County Road Tax	0.5000	66,224	62,310	3,914
County Senior	0.2595	34,365	32,334	2,031
County BATA	0.3428	45,399	42,717	2,682
School District – Suttons Bay	23.7128	1,480,407	1,397,820	82,587
Intermediate School District	2.9732	393,831	376,967	16,864
State Education	5.0000	794,776	760,742	34,034
Township - General	0.5000	66,224	62,310	3,914
- Fire	1.4039	185,956	174,968	10,988
- Fire and Rescue Building	0.4900	64,898	61,063	3,835
Total		<u>\$ 3,642,294</u>	<u>\$ 3,451,295</u>	<u>\$ 190,999</u>
State Equalized Value		\$222,527,370		
Taxable Value		\$132,411,678		
Percent of Levy Collected		94.76%		

The Notes to the Basic Financial Statements are an integral part of this statement.